

**COBURN Amendment # \_\_\_\_\_:**  
**Increase Transparency to the Global Fund to Fight HIV/AIDS,  
Tuberculosis and Malaria**

**Purpose:** to ensure that the unprecedented increase in the U.S. contribution to the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria is accompanied by an end to secrecy regarding how that money is spent.

**Summary of Amendment:** The amendment would condition 20% of the Global Fund money on a certification by the Secretary of State that the Global Fund has made all financial and programmatic documents available to the public on a web site. The amendment also allows for redaction of those documents of any information that would expose or harm a whistleblower.

**Unprecedented Funding Increases**

The continuing resolution funding FY2007 provided an unprecedented \$724M contribution to the Geneva-based Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria.

This funding level was a full \$424M over the President's request, and over half a billion more than the President originally pledged annually when he unveiled his Emergency Plan for AIDS Relief in 2003.

The President's request was already inflated this year for the first time to a level beyond his original commitment in 2003 (\$300M instead of the usual \$200M), in an attempt to preempt the annual raid by Congress of his successful and life-saving bilateral global AIDS program and transfer of those bilateral funds to the multilateral Global Fund.

Now, the House appropriations committee has passed an even greater and unprecedented amount of funding for this multilateral organization - \$850M for FY2008 - \$550M of which from the foreign operations bill, and \$300M from the Labor/HHS bill. The Senate bill provides an even higher amount -

\$590M in the foreign ops bill, with \$300M expected from the Labor/HHS bill – totaling \$890 million.

<b>FY</b>	<b>Amount Contributed (in millions)</b>
2001-2002 Founding Contribution	\$420
2003	347.7
2004	459.9
2005	435
2006	544.5
2007 CR	724
2008 President requested	300
2008 House-passed	850 (550 State/For Ops, 300 L/HHS)
2008 Senate bill	890 (590 State/For Ops, 300 L/HHS)

\*source CRS report #RL33485, p.7

Total contributed to date: \$2,930.1 million  
 Total amount contributed if House cmte bill passes: \$3,780.1 million  
 Total amount contributed in excess of pledged amount in President’s Emergency Plan for AIDS Relief: \$2780.1 million

### **Secret IG Reports**

The Global Fund is unaccountable. There are no consequences for waste, fraud and abuse, primarily because the Fund is allowed to *hide* waste, fraud and abuse.

The Global Fund claims to have an “independent” Inspector General (IG). But the reports issued by the IG are not available even to the whole Board of Directors, where the U.S. has one seat. And when those reports could embarrass the Fund, those reports may be (and have been) kept secret from donors and the public at large, in violation of the Fund’s own documents policy.

The Fund’s own documents policy (located at <http://www.theglobalfund.org/en/about/governance/>) requires that all documents shall be disclosed upon request, barring certain exceptions. A document that contains personal information about employees is exempted EXCEPT: “information directly related to the financial operations and budget of the Fund.” In other words, an IG report about how money was

spent that is merely *embarrassing* to the Fund is not to be exempted from the document disclosure policy.

### **Recent Scandal**

The Boston Globe (see below) reports that the IG has issued a scathing report about inappropriate spending in a Credit Suisse slush fund, particularly by its last Executive Director Richard Feachem.

The Fund's Secretariat – that is, its headquarters, run by Feachem – set up a bank account in order to pay for all kinds of expenses without having to go through the normal expense reimbursement process through the U.N.

[Anyone following the UN these days knows that if the UN is running an expense account, there could be problems. And the Global Fund set up this special account to avoid having even the *weak* checks and balances offered by the UN.]

Congress still hasn't seen this IG report because the Fund refuses to release it to Congress, its other donors, or the public.

The World Health Organization did its own report on expenses and found irregularities as well. But the Board doesn't have that report either. In fact, some Board members were allowed to read the WHO's report for just a few hours in a room and could not keep copies.

**A leaked copy to the Boston Globe revealed that this slush fund paid for overpriced limousine trips, a boat cruise, royal wedding attire, gift bouquets of flowers, and champagne at a retreat.**

As early as 2 years ago, when the Fund was assessed by the U.S. Office of Management and Budget's (OMB) Program Assessment and Rating Tool, the U.S. health officials noted the Credit Suisse account with concern: "The US has also expressed concerns regarding an account maintained by the Secretariat at Credit Suisse that appears to fall outside these check and balances."

(<http://www.whitehouse.gov/omb/expectmore/detail/10004630.2005.html>)

**So what are the findings of the IG report? We only know what the reporter from the Boston Globe reports to us from his leaked copy:**

“Global Fund documents say [Feachem] spent between \$91 and \$930 a day for limousines in London, Paris, Rome, Washington, and San Francisco, averaging \$376 a day; "typically \$50 to \$100 per person" on his meal expenses; \$1,695 for a dinner for 12 people at the US Senate dining room in Washington; and double-charged the \$225.86 suit rental.”

“The inspector general's report cited other charges made by senior officers, including flowers for staff members; champagne at a retreat; \$8,780 for a boat cruise on Lake Geneva in Switzerland; \$8,436 for a dinner in Davos, Switzerland, for 63 people; and \$5,150 for a meal and drinks for 74 staff members at a retreat at Montreux, Switzerland.”

Global Fund leaders went to great lengths to keep both reports secret. The full board was not given copies of the inspector general's report, according to members. They said they were allowed to read “

If you add up all the tidbits of inappropriate spending in this Globe article, it comes to \$24,512.72. Add the limo daily fees for just one day in each of the cities (London, Paris, Rome, DC and San Francisco) at an average of \$376 a day, and the total is \$26,392.72.

- At a dollar a course, that money could have saved the lives of 26,392 infants from dying of malaria. That money could have protected over 5,000 families from being infected with malaria for a year at the cost of about \$5 to spray a house with the cheapest insecticide.
- The drug Nevirapine reduces the risk of perinatal HIV infection by fifty percent. One dose of Nevirapine is given to the mother and one to the baby. The two doses cost only \$5.
  - Without medication, 25 percent of those children born to mothers with HIV would become infected. With the \$26,392.72 of frivolous expenses out of the Credit Suisse slush fund, over 10,000 doses of Nevirapine could be purchased and approximately 5,000 babies could be saved from becoming infected with an AIDS death sentence at birth.

## **Conflicts of Interest and Retaliatory Investigation?**

The IG report on the Credit Suisse account was initiated after a report by Deloitte (commissioned by the World Health Organization) identified the account as potentially improper. But after the IG issued his report confirming the major problems with the Credit Suisse account, Executive Director Richard Feachem actually instigated a Deloitte investigation of the IG, placing Deloitte in the position of judging the IG's judgment of the original Deloitte work.

Meanwhile, the IG in question has resigned, citing "health concerns."

The nature of an IG is to provide accountability by providing an *independent* reporting mechanism on an agency.

An IG who is not free to report publicly on the agency is not an IG, but rather an employee of the agency.

An IG who is not independent is a sham – it brings no accountability, integrity or credibility to the management of the agency.

## **Transparency and Accountability Matter *Most* to the Poorest of the Poor**

The American people give billions each year to help vulnerable populations throughout the world suffering and dying from AIDS, tuberculosis and malaria.

They do so through bilateral programs in addition to the multilateral Global Fund.

The difference is that the bilateral programs are subject to checks and balances of independent inspectors general at USAID, HHS and State Department, as well as intense Congressional oversight, and the Freedom of Information Act, which requires almost all program information to be made public.

With the increases to the Fund being appropriated in the Senate foreign operations spending bill, the American people and their elected

representatives deserve solid assurances that audits and evaluation reports will be made public, that the IG will be truly independent, and that the generosity of the taxpayers towards the poorest and most vulnerable of the world is not being squandered.

The American people will have generously contributed almost \$4 billion to the Global Fund since its 2001 inception. They have a right to know where that money ended up.

## **CLAIMS/FACTS**

**CLAIM: The base bill already contains a requirement that the Secretary certify that the Fund has established and is implementing an appropriate documents policy relating to IG reports. This amendment is unnecessary.**

**FACT:** This amendment requires disclosure of documents to the public on a web site, not just a provision of documents to the Board or some hard-to-access publication or location. Also, this amendment leaves less room for subjective judgments on the part of the State department about what constitutes an “appropriate” documents policy, and finally, this amendment applies to more documents than just the IG reports, but includes all audits, evaluations and other information. What’s more, this amendment specifies a timeline in order to prevent the sort of delays we’ve seen when the Fund didn’t want to release embarrassing information – a 7-day timeline. Put simply, this amendment increases the sunshine for the American people to see how their money is being spent by the Fund, in a timely fashion.

**CLAIM: Not even all IG reports from U.S. Federal agencies are made public – why should the Global Fund be held to a higher standard than U.S. Federal agencies?**

**FACT:** The Global Fund must be held to a higher standard of transparency, because the Fund has a much lower standard of accountability to the American people than their own government agencies. U.S. agencies have the checks and balances of the legislative process, Congressional oversight, the annual budget and PART assessment process, and officials

who are ALL elected by Americans and answerable to the American democratic process in charge of them.

The American people also have access to the Freedom of Information Act, the judicial branch and the courts to appeal improper acts by government, special prosecutors, and truly independent Inspectors General, whose reports are almost always made available to Congress upon request.

The only say the American people have about how their billions are spent by the Fund is to withhold those funds each year. That's something – but it is a much lower bar for checks and balances than U.S. Federal agencies have.

The U.S. only has ONE seat on the Fund's Board of Directors, even though the American people contribute around a third of the Fund's budget (CRS #RL33396, p. 14). We are told the U.S. Board Member is routinely outvoted by the European, African and Asian Members on most matters, with a few exceptions. We can't know for sure - because how each Board member votes is SECRET. It would be interesting to see just how often the other Board members vote against the American people's representative on the Board.

None of this is to say that U.S. agencies are perfectly transparent and accountable – there is lots of room for improvement. The American people should always have access to all the information possible about how their money is spent.

**CLAIM: The Credit Suisse account in question has been known to the Board, its statements reported to the Board, and has been audited twice a year. There's no secret here.**

**FACT:** Yes, the U.S. knew about the account and had expressed concern about it as a haven for potential abuse. Unfortunately, what the U.S. thinks doesn't usually prevail. And the U.S. concern was vindicated by the IG's investigation – which was kept secret. The American people have one seat on the Board, and the U.S. government has expressed concern about the Credit Suisse account for years

(<http://www.whitehouse.gov/omb/expectmore/detail/10004630.2005.html>), as seen on the OMB web site. Provision of information to the Board is not

the same thing as provision of information to the donor community at large, particularly when the Board is staffed by the Executive Branch, but it's the legislative branch which must decide to write the check to the Fund each year, and the legislative branch has no access to the IG report about the Credit Suisse account. What's more, even the board members who saw the report did so in a closed room for a few hours and could not take the report out of that room (source: US Board Delegation personal communication, HHS, 2007).

**CLAIM: The Fund's Executive Director's limousine service and housing allowance are no different than what heads of UN agencies get.**

**FACT:** Mr. Feachem's compensation package is modeled on the U.N. Secretary General's (S.G.) package. This is not a convincing standard of fiscal responsibility. Not only is the S.G. a higher-profile position than the Global Fund's Executive Director, but the U.N. compensation and personnel practices are hardly worthy of emulation, as evidenced by scandal after scandal emanating from Turtle Bay. The Fund is an organization founded to provide disease control funding to the poorest of the world. Its executives should not behave like the wealthiest corporate CEOs or globetrotting diplomatic VIPs.

**CLAIM: The questionable expenses, such as dinners, retreats, flowers, etc, were all one-time expenses that were legitimate "thank-you" to staff and/or donors who had gone above and beyond the call of duty. What's wrong with that?**

**FACT:** If a Member of Congress wants to give a staffer a bottle of champagne as a "thank you" for hard work on a project, he generally pays for it out of his own pocket. If he has to go to a wedding in his official capacity, he pays for his own clothes. He might be able to avoid paying taxes on these expenses, depending on their purpose, but they are his expenses to pay. That's just common sense.

**CLAIM: What if public disclosure would reveal the identity of whistleblowers?**

**FACT:** The Coburn amendment allows information that would reveal the identity of a whistleblower to be redacted from the posted document.

**CLAIM:** The Fund has conducted a “comprehensive” review of all the Credit Suisse reports (from the IG, WHO, Deloitte, etc) and has made that review available to Congress.

**FACT:** This comprehensive review wouldn't be necessary if the Fund would simply make all the reports public, and then the public could draw its own conclusions. This so-called “comprehensive review” is merely a whitewash to give the Fund the opportunity to redact, editorialize and discredit the embarrassing content and tone of the reports it doesn't like and to put its own spin on those sections by rewriting them or “summarizing” them as part of this “review.” When the Fund could simply post all the reports on the web site, this exercise is a waste of time and resources that should be going to saving lives from AIDS, TB and malaria.

## **Disease-fighting fund's expenses hit Report asserts donations used for meals, limos**

By John Donnelly, Globe Staff

WASHINGTON -- The executive director of a \$7 billion fund to fight deadly diseases in the world's poorest countries has made extensive use of a little-known private bank account, spending hundreds of thousands of dollars on limousines, expensive meals, boat cruises, and other expenses, according to an internal investigation.

Dr. Richard G.A. Feachem, the leader of the Global Fund to Fight AIDS, Tuberculosis, and Malaria, also frequently dipped into the office's petty cash, once spending \$225.86 to rent a suit for a wedding involving the Dutch royal family -- and then double-billed the organization for the suit, the report said.

The Global Fund, which started in 2001 when then-United Nations Secretary General Kofi Annan called for an emergency response to the AIDS pandemic, has funded programs in 136 countries.

The US government has contributed \$1.9 billion so far, and the US House of Representatives approved an additional \$724 million last week. The Bill & Melinda Gates Foundation is the largest private donor, pledging \$650 million.

The internal report, completed in August by the Global Fund's inspector general, found that Feachem's spending habits created "potential risks," including loss of donor confidence because of "inadequate internal controls over funds."

Spending charity money on entertainment and limousine rides "could be perceived as unnecessarily lavish by donors," the report said.

Feachem, 59, was knighted last month by Queen Elizabeth II for his leadership of the Global Fund. He declined numerous requests for comment.

Global Fund spokesman Jon Liden disputed the context, tone, and several facts in the inspector general's report.

"When you read through the entire report, it becomes clear we are dealing with a report of extraordinarily poor quality in terms of accuracy, context, and fairness," Liden said in an interview last week.

But Liden did not dispute 37 specific limousine charges in cities across Europe and the United States, dozens of entertainment and meals expenses, and the suit rental, among other expenditures the inspector general deemed excessive.

"We have nothing to hide," Liden said.

A separate investigation, overseen by the World Health Organization, also raised concerns about the use of the private bank account, finding what it called "abnormal" payments that WHO probably would not have approved as part of a legal agreement to oversee Global Fund expenditures from its Geneva staff. Those items included lump-sum payments of \$5,000 to seven fund managers described only as back pay and about 30 payments to help staff members find homes.

The findings of both the inspector general and WHO reports have not been previously reported.

For years, Feachem has cut a dashing and authoritative figure on the international circuit of public health summits and high-level meetings. He has been dean of the London School of Hygiene and Tropical Medicine, director of the World Bank's health programs, and founder of the Institute for Global Health at the University of California-San Francisco.

He is known for his eloquence and his relationships with rock stars and royalty, many of whom have been key supporters of the Global Fund. Colleagues describe him as a proud and an exacting figure, and note that he paid close attention to the terms of his compensation. His first contract with the Global Fund took months to negotiate, as did his terms of departure, which is expected next month.

He has earned roughly \$320,000 a year tax-free, including a housing subsidy of more than \$70,000 -- modest for a corporate CEO package, but unprecedented in public health. UNAIDS director Peter Piot, by contrast, earns \$230,000 and receives no housing subsidy; US global AIDS Ambassador Mark Dybul earns roughly \$145,000 in taxable income and also receives no housing subsidy.

The inspector general's report suggested that Feachem's heavy spending was shared by other managers. "Senior management failed to convey and reinforce the need for careful and prudent use of donor funds," the report said.

Global Fund leaders went to great lengths to keep both reports secret. The full board was not given copies of the inspector general's report, according to members. They said they were allowed to read WHO's report for just a few hours in a room and could not keep copies.

Lieve Fransen, deputy chairwoman of the board, said the secrecy was necessary to protect the Global Fund and its employees.

"I strongly believe we need to fully respect people's prerogative to defend themselves and explain what has happened," she said. "Making these reports public would undermine people's dignity, credibility, right to defense, and would undermine the credibility of the Global Fund."

The other 19 board members declined to comment on the reports.

Feachem is due to vacate his post next month. The board has been unable to agree on a successor, failing at a divisive meeting last November in Guatemala to settle on a candidate. It is scheduled to make a second attempt later this week in Geneva.

The future of the inspector general's office also is in limbo. Ibrahim Zeekeh, who took over the post a year ago, resigned effective last week, citing health reasons. Zeekeh, a veteran auditor who has worked in several UN organizations, declined to comment. The office now is left with just two auditors.

Meanwhile, some donors have expressed concern about oversight of the billions of dollars in programs from Latin America to Asia. Two years ago, Congress made 25 percent of the US contribution conditional

on the hiring of an inspector general.

Pam Pearson , who from 2003 to 2005 was the State Department's chief liaison with the Global Fund, said the post must be filled quickly. "Whenever you have an organization that deals with that kind of money, you need to have a watchdog authority," she said.

Several world health specialists said the board first must address the heavy spending by top executives.

Allan Rosenfield , dean of Columbia University's Mailman School of Public Health, called Feachem's spending inexcusable.

"The board has allowed this to happen," he said. "They should be held accountable as well."

An ethics specialist hired last year as a consultant to the Global Fund's ethics committee also questioned the level of spending.

"I'm familiar with cost of limousines in New York City, but this is beyond the pale," said Willem Landman, chief executive officer of Ethics Institute of South Africa, a nonprofit group.

Charities have long wrestled with the compensation for chief executives, with some specialists maintaining that higher pay and more perks help attract stronger candidates. But Landman said there should be limits on spending by leaders of humanitarian groups.

"If a corporation decides to spend luxuriously on its chief executive, and it does a proper accounting to shareholders, they are entitled to do so," he said. "That seems to me different than the head of an organization handling donor funds -- funds that are designed for relieving the most vulnerable people in the world."

The 40-page inspector general's report focused on a private account in a Credit Suisse bank. From 2002 to 2005, the Credit Suisse payments amounted to more than \$2.1 million. While the vast majority of Global Fund money is kept in the World Bank, Global Fund leaders said they wanted a separate account to process expenses more quickly.

The inspector general found that Feachem used the account as a private fund for business expenses, bypassing the normal channels for reimbursement through WHO.

Global Fund documents say he spent between \$91 and \$930 a day for limousines in London, Paris, Rome, Washington, and San Francisco, averaging \$376 a day; "typically \$50 to \$100 per person" on his meal expenses; \$1,695 for a dinner for 12 people at the US Senate dining room in Washington; and double-charged the \$225.86 suit rental.

The inspector general's report cited other charges made by senior officers, including flowers for staff members; champagne at a retreat; \$8,780 for a boat cruise on Lake Geneva in Switzerland; \$8,436 for a dinner in Davos, Switzerland, for 63 people; and \$5,150 for a meal and drinks for 74 staff members at a retreat at Montreux, Switzerland.

Liden, the fund's spokesman, said the limousine charges averaged \$341 per day, not \$376, which he called "standard rates" in Europe and justified "in lieu of the car and chauffeur that senior UN staff have available to them."

He said the Washington dinner cost \$69 per person and additional charges were "related to room and overtime charges." Liden said only in "exceptional instances" did costs exceed WHO limits for spending

on dinners -- \$75 in Washington, \$73 in Geneva.

Furthermore, he said, **Feachem's office paid only once for champagne, a \$115 bottle,** and the duplicate payment for the rented suit was rectified.

**"These expenses are reasonable and necessary for carrying out the business of the Global Fund," Liden said.**

WHO 's investigation examined expenditures on Feachem's credit card, which "is intended for emergency use on Global Fund business."

Feachem told auditors he used the card for business expenses that WHO wouldn't cover, including limousines and meals. The report noted that the policy should be changed or the "card holders reminded of its limited purpose."

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